

# INFORMATION REPORT

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**COUNTRY** Austria

**SUBJECT** Proposed Austrian Government Purchase  
of Turbines from USA

PLACE  
ACQUIRED

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DATE OF INFO

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**SUPPLEMENT TO  
REPORT NO.**

The following report has been extracted from a letter dated 2 June 1948 written by the nationalized "Oesterreichische Elektrizitätswirtschafts AG", Vienna X, in Hof 2, to the Austrian Ministry of Trade. The letter recapitulates negotiations carried on between Staweg (Steirische Wasserkraft und Elektrizität AG) and the USA-controlled machine factory, J. M. Voith, St. Poelten, concerning purchase of turbines. A request is then made to the Ministry of Trade to subsidize this purchase from government funds.

The Austrian Ministry of Trade is said to be willing to approve the proposed transportation in principle, but intends to settle certain technical details with Director General Hozer of Stewag.

TRANSIT ON

- In order to implement plans for the reconstruction of the Dianysen power plant which had been dismantled by Russian forces in 1945, Stewag, on 20 November 1946, placed an order with the USIA-controlled plant of J. M. Voith, St. Goelten, for delivery of two Kaplan turbines of a capacity of 7650 HP each. The price of these turbines was to be 904,300 schillings and Stewag made a down-payment of 100,000 schillings to Voith on 5 January 1947. In May 1947, however, Voith notified Stewag that they aimed to cancel the contract, and that compensation rather than payment in schillings was desired.
- After negotiations between the Austrian Government and USIA on the general subject of delivery of turbines as well as direct negotiations between Stewag and Voith, possibilities of compensation had led to no results, Stewag addressed itself to the Federal Ministry of Trade. Upon instruction from the Ministry, the following compensation deal was proposed, which takes into account a proposal by Voith to the effect that 1,200,000 schillings plus \$110,000 in compensation goods would be required as payment for the turbines: 600 tons "foto" (paper for newspapers), purchased at the price of 3,000 schillings per ton from the USIA-controlled Obermühl plant, is to be sold to the firm Arga with offices in Milan and Vienna VI, Linke Triennale 36, for export to South America. This paper could be sold in USA for \$190 per ton, and the dollars earned through the transaction could be used for purchase of compensation goods for Voith. Since, however, the price demanded for this paper by Obermühl is higher than the value of the paper by world market standards, Stewag would suffer a loss of 600,000 schillings through the transaction. Stewag, in view of the importance of delivery of turbines for the Austrian economy, requested the Ministry of Trade to bear the deficit and to arrange Stewag out of government funds.

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3. In subsequent negotiations between Arga and Voith, agreement was reached in principle, subject to concurrence from the Ministry of Trade, that delivery of compensation goods would take place in three equal installments, the first to be paid when the final contract is signed with Voith, the second in September 1948, and the third when the turbines are ready to leave the Voith plant, probably in February 1949. It was agreed also that Arga would be charged with procurement of the full \$110,000 worth of compensation goods, and that Arga would make an effort to purchase export goods from USIA at reasonable prices. Compensation goods will be purchased by Arga on the basis of world market prices; types of goods desired are to be indicated by Voith in the form of a list to be sent to Arga. For this services, Arga will be paid a commission of 5% in schillings.
4. The following steps to be taken in this transaction are submitted to the Ministry of Trade for approval:
- a. Formal conclusion of an agreement between Steweag and Voith, whereby Steweag agrees to purchase through Arga compensation goods on the basis of world market prices in the value of \$110,000.
  - b. Formal conclusion of an agreement between Steweag and Arga.
  - c. Formal assurance by the Ministry of Trade that the deficit incurred by Steweag through purchase of export goods from USIA will be borne by the Austrian Government.

END OF TRANSLATION~~CONFIDENTIAL~~~~SECRET~~